

Chapter 2

The White House Conference on Small Business: Implementing the Recommendations

Synopsis

In 1976, presidential candidate Jimmy Carter and Senator Gaylord Nelson, then chairman of the Senate Select Committee on Small Business, began conversations about how small business owners could meet to air their concerns about government and develop constructive solutions. Two years later, on April 6, 1978, the Carter White House announced a week-long conference to be held in Washington that would bring together some 2,000 representatives of small businesses nationwide. That was the beginning of the 1980 White House Conference on Small Business (WHCSB), which assembled small business delegates from across the country to provide their perspectives on federal policy.

Small business men and women met again at White House Conferences in 1986 and 1995 and again developed very specific agendas for the Congress and the federal government. The success of the White House Conference process can be measured by the number of recommendations implemented following each conference. In 1980, Congress and the executive branch acted upon about two-thirds of the White House Conference recommendations. In 1986, the government implemented 43 percent of the 60 final recommendations.

In the year since the 1995 White House Conference on Small Business, a national audience has focused attention on the conference recommendations and an unprecedented number of them have been implemented. President Clinton referred to the White House Conference initiatives in his State of the Union address. House Speaker Newt Gingrich held a press conference to discuss the implementation of the 1995 agenda. The recommendations have influenced the debate on Capitol Hill, where delegates have been invited to testify and continue to promote their issue priorities.

The 1980 Conference: Taxation, Regulation and Innovation

Small business delegates assembled in Washington, D.C., for the first National White House Conference on Small Business January 13–17, 1980. All told, some 25,000 small business entrepreneurs had participated in the preliminary state meetings and more than 5,000 people attended the national meeting, including 1,682 official delegates.

The delegates agreed on 60 recommendations and 11 resolutions for congressional and executive branch action. Topping the list were recommendations to replace the corporate and individual income tax schedules with more graduated rate scales, to adopt a simplified accelerated capital cost recovery system, and to balance the federal budget by limiting total federal spending to a percentage of the gross national product.

The 1980 WHCSB recommendations had important effects on small business' relationship to the federal government. Among the significant laws enacted in response to the recommendations were the Regulatory Flexibility Act of 1980, which required federal agencies to consider small business in the rulemaking process, and the Small Business Innovation Development Act of 1982, which required federal agencies to set aside a percentage of their external research and development budgets for small firms.

1986: A Second Look

The resounding success of the first White House Conference on Small Business led Congress and the small business community to support another conference in the mid-1980s. More than 20,000 entrepreneurs participated in the state meetings that preceded the second national White House Conference on Small Business in August 1986. Approximately 4,000 people, including 1,813 official delegates, attended.

The final vote produced the top 60 recommendations of the 1986 conference. The delegates reported that the top three problems facing small business were insurance availability and affordability, mandated employee benefits, and competition from government and nonprofit organizations. The 1986 conference, while less impressive than the 1980 conference in its legislative results, nevertheless helped advance the small business agenda in important ways.

1995: A Penny for Your Thoughts

In September 1993, President Bill Clinton appointed 11 commissioners representing the small business community to oversee the 1995 White House Conference on Small Business.

The state conferences held between June 2, 1994, and April 13, 1995, had two goals: to develop federal policy recommendations that would strengthen the role of small business and to elect delegates to represent the in-

terests of each state's small business community at the regional and national conferences. A total of 59 state-level conferences were held: one in each state, the District of Columbia and Puerto Rico, and an additional conference in the seven states with populations exceeding 10 million.

Each one-day state conference enabled members of the small business community to name issues of concern, develop specific recommendations, and identify the appropriate federal government agency to address each issue. Initially, issues were classified in 10 categories: capital formation, community development, environmental policy, human capital, international trade, procurement, regulation and paperwork, taxation, technology and the information revolution, and an open forum for miscellaneous topics that did not fit easily into any of the other categories. A "Main Street" session was added during the process to incorporate the concerns of small retail and service firms, as well as the issues of crime, antitrust, and franchising.

Small business participants in each state elected delegates to represent their interests at the regional and national levels—a total of 1,130 delegates nationwide. State residents who were owners, corporate officers or full-time employees of for-profit businesses employing fewer than 500 people were eligible to run. The number of delegates elected from each state was twice the state's electoral college vote. (In states with two conferences, half of the delegates were elected at each conference).

Each member of Congress and each governor (both those newly elected and those defeated in the 1994 elections) appointed one delegate and one alternate, for a total of 674 appointed delegates. President Clinton was also authorized to appoint 100 delegates and alternates. All appointed delegates were required to meet the same criteria as those elected through the state conference process.

Between April 18 and May 12, 1995, the WHCSB held regional meetings in six cities across the country—Atlanta, Dallas, Denver, San Francisco, New York and Chicago. This intermediate stage of the WHCSB process after the state conferences and just one month prior to the national conference provided an opportunity for state delegations to confer with other delegations in the region. The regional meetings permitted further refinement of recommendations in the 11 issue areas.

The national conference, held June 11–15, 1995, was the culmination of the grass roots work at the state conferences and the consensus-building efforts at the regional meetings. Nearly 2,000 delegates gathered in Washington, D.C., to hammer out the national small business action agenda to be forwarded to President Clinton and the Congress.

Of particular note were the six "agency dialogues" that were part of the national conference process. Moderated by a WHCSB commissioner and ranging from environmental and work safety regulation to export promotion, these interactive forums helped facilitate communication among the federal agency representatives and delegates attending the national conference.

The WHCSB rules committee structured the issue sessions at the national conference to focus on the development, discussion, and elimination of rec-

ommendations. Procedures were in place to facilitate the amendment and petition processes, and to enforce the deadlines. By the end of the national conference, more than 150 amendments and six petitions had been considered.

Outside the issue sessions, the strategic mobilization of delegates was a critical exercise in crafting and advocating specific slates of recommendations. Effective caucusing around a slate of recommendations increased the chances of prevailing in both the interim and final votes.

Through a series of votes, the small business delegates arrived at a final list of 60 policy recommendations (Appendix 2.1). Delegates cast the last vote the old-fashioned way—by dropping pennies in numbered buckets—when the electronic counting system failed. Among the issues on the agenda were 11 dealing with tax policy, 14 focusing on capital formation and human capital issues, and six each in the procurement and regulations and paperwork areas.

The WHCSB was required by law to complete its efforts and present its final report to the President and Congress no later than September 30, 1995, at which time the White House Conference on Small Business Commission closed its operation. Under the WHCSB enabling legislation, the U.S. Small Business Administration (SBA) is required to report to Congress annually for three years on the status and implementation of the recommendations.

Implementation

In contrast to their predecessors in the 1980 and 1986 conferences, the 1995 WHCSB delegates provided a mechanism for following up on the conference recommendations by electing regional implementation chairpersons and issue chairs for each of the 11 issue areas in each of the SBA's ten regions. The WHCSB regional implementation efforts are as varied as the delegates themselves.

Immediately following the June conference, most of the delegations went home and presented their work to their governors and congressional representatives. While state officials recognize that the focus of the conference recommendations is on federal government action, many are looking at the agenda closely. As more programs and policies are passed to the states for administration and regulation, the opinions of small business will carry more weight at the state level. As always, in key areas such as tax policy, states will continue to follow the lead of the federal government.

Several governors have used the issue recommendations as the basis for calling state small business conferences. In fact, many states already hold annual small business conferences that have their roots in the earlier White House Conferences on Small Business. Other states are working to identify areas in which state problems mirror those identified at the federal level, where solutions such as those proposed in the WHCSB recommendations might apply.

Highlights of the implementation results can be seen in the appendix to this section, which lists each of the 60 final recommendations and reports on executive and legislative branch activity (Appendix 2.2). The Small Business Administration's Office of Advocacy will continue to monitor the implementation process and will report to Congress on its progress annually for three years.

Appendix 2.1

The 60 Recommendations of the 1995 White House Conference on Small Business

This appendix contains the full text of the 60 recommendations of the 1995 White House Conference on Small Business. As decided by the delegates, the recommendations are not rank ordered by the number of votes the recommendations received. Instead, they are listed here in alphabetical order by issue area, and within each issue in order of the National Conference Recommendation Agenda number that was assigned to it.

Capital Formation

5. In order to increase the availability of capital for small business, Congress shall:

(a) Authorize the SEC or an appropriate entity to create or streamline regulations and vehicles for public and small and large private company pensions, profit sharing, 401(k) plans, individual IRAs, Keogh and SEP Plans to invest in small businesses by accessing the private capital markets and encouraging development of viable markets for small-business loans.

(b) Modify current legislation to facilitate the ability of an individual to invest up to 50 percent of his or her own self-directed and/or managed qualified plans including profit sharing, 401(k) plans, individual IRAs, Keogh and SEP Plans in a specific small business(es) of his/her own choice. These funds could be used as a direct investment or as collateral to obtain debt financing. (Votes received: 1,279)

Capital Formation

9. Banks are too highly regulated and restrictions on lending to small businesses are too severe. To increase the amount of small-business lending (and create thousands of jobs) we propose: (a) small-business loans should be reviewed collectively based on institutions' overall loan delinquency ratios, and (b) relaxing of collateral and income to debt ratio requirements allowing banks to make smaller loans based on character, personal background and creditworthiness, such as those loans permitted pursuant to the loan-basket guidelines under the capital availability program. Also, Congress should enact or amend legislation to direct the Comptroller of the Currency and other examining authorities to allow banks, especially community banks, to invest more readily in small business through no-cost, low-cost incentives, such as:

(a) Directing bank regulatory agencies to reduce paperwork commensurate with loan size;

(b) Reduce the number of federal agencies regulating banking through consolidation and coordination;

(c) Allow government deposits to be placed in a bank based on the percentage of that bank's portfolio that is placed in small-business loans. (Votes received: 1,275)

Capital Formation

14. To increase the availability of growth capital to invest in small businesses, Congress should:

(a) Further privatize the Small Business Investment Company (SBIC) program, now administered by the SBA, by creating a new, government-sponsored, but privately managed, corporation named Venture Capital Marketing Association or "Vickie Mae"), which would function similarly to the Federal National Mortgage Association (Fannie Mae);

(b) Extend the capital gains tax deferral currently afforded investments rolled into Specialized Small Business Investment Companies (SSBICs) to include investments in SBICs to encourage more investment in new SBICs;

(c) Remove barriers to pension funds, foundations and endowments wishing to invest in SBICs and SSBICs; eliminate the "unrelated business taxable income" (UBTI) tax on all such activities; and

(d) Reduce the minimum capital size requirements for establishing SBICs owned by regulated financial institutions, thereby encouraging them to provide equity to small businesses provided that no leverage is utilized by such SBICs until current minimum capitalization for leverage is achieved. (Votes received: 1,009)

Capital Formation

20. Congress should support the investment in small businesses by:

(a) Establishing a tax-free rollover provision for the gains on sale of assets or ownership interests in a small business that are reinvested or rolled over into another small business within one year.

(b) Amending Code Section 1202, which is legislation excluding 50 percent of all capital gains from income, to extend its benefits to S Corporations and Limited Liability Companies by defining a "qualified small business" to include C Corporations and the other two entities, and extend the definition of a "qualified trade or business" under Section 1202 to all businesses.

(c) Enacting tax legislation to allow tax deductions against ordinary income for investments in small business. (Votes received: 672)

Capital Formation

24. The Small Corporate Offering Registration (SCOR) was meant to be a means for self-reliant small business owners to raise equity capital with a minimum of professional assistance (legal and accounting services) and the lowest origination costs. To facilitate the use of SCORs, we propose that the SEC/Congress raise the \$1 million per year ceiling to \$5 million, remove limits on the number of investors, allow for “tombstone advertising” of stock offerings and fund educational programs for investors and issuers to be administered at state and local levels. A greater degree of uniformity of state laws or reciprocity between states would be encouraged by the SEC through granting educational grants to states that accomplish this goal. (Votes received: 1,027)

Capital Formation

25. Comprehensive Federally Guaranteed Financing Reform: Congress shall continue to appropriate funds for the Small Business Administration Loan Guarantee programs, while focusing on the following:

(a) Prohibit excessive abuses in the over-collateralization of all federally guaranteed loan programs.

(b) Establish criteria that would allow greater access to all federally guaranteed loan programs.

(c) Increase the SBA loan guarantee programs from their current level of \$750,000 to \$1,000,000.

(d) Require only primary owners (not passive investors) to make personal guarantees on federally guaranteed loans.

(e) Increase the number of non-bank lenders (SBLC) eligible to process SBA loans.

(f) Require all federally guaranteed loans be processed in a timely manner. (Votes received: 784)

Capital Formation

28. Congress should require that federal agencies evaluate the performance of financial institutions under the Community Reinvestment Act (CRA) on the basis of such institutions’ efforts to meet the credit and banking needs of small businesses in their communities. In making such evaluations, those financial institutions that extend credit to small businesses without the support of government loan guarantees should be rated higher than those institutions that simply participate in SBA, FaHA and other guarantee programs, and/or purchase government-insured loans and loan pools. Further, Congress should direct such federal agencies to issue a separate rating of each financial institution’s CRA performance relative to small business (as opposed to the current practice of issuing one rating for overall CRA performance with respect to the entire community). (Votes received: 554)

Community Development

31. Congress should enact legislation and the Administration should implement a process so that community and economic development programs could be maximized in distressed urban and rural areas by:

- (a) Creating a “most favored” community status;
- (b) Continuing and enhancing the SBA micro-loan program;
- (c) Vigorously enforcing the Community Reinvestment Act with special efforts placed on elimination of redlining;
- (d) Providing economically oriented incentives such as abatement of federal income taxes to encourage the service/retail industry and other small businesses to locate and expand in these areas;
- (e) Continuing to emphasize small, non-traditional financial institutions, and women and minority- owned business participation. (Votes received: 949)

Community Development

34. Congress should further legitimize home-based business and restore the home-office tax deduction by reversing the effect of the 1993 *Soliman* decision, which requires that:

- (a) Clients physically visit a home office; and,
- (b) Business income be generated within the home office.

This would again allow essential administrative, operational and/or management tasks to qualify a home office as the “principal place of business.” (Votes received: 1,239)

Community Development

41. The U.S. Department of Education in cooperation with the U.S. Small Business Administration should work constructively to encourage the future growth of small business enterprises by promoting entrepreneurship education across America’s school systems (K – Adult Education). It would be accomplished in the following manner.

- (a) A comprehensive school-based youth entrepreneurship program that creates real world business exposure and mentorships would be developed and implemented.
- (b) The program would be under the auspices of the Department of Education and funded by grants through public/private partnerships.
- (c) All funds would be matched one to one in the community served by the program.
- (d) Businesses would receive tax incentives for financially supporting the entrepreneurship training programs in their area. (Votes received: 1,035)

Community Development

44. Efforts of an individual state or municipality to benefit its local economy should not be made at the expense of other states or municipalities and at the peril of the strength of the entire economy. It should be the interest of the

Congress to benefit the economic security of all the citizens of the United States by working to provide the resources to expand the economy nationwide. Therefore, Congress should ban the direct or indirect utilization of federal funds of any kind, including subsidies, grants, bonds or tax-exempt financing that funds, in whole or in part, any special tax, infrastructure improvement and/or financing incentive by any state or municipality to lure existing jobs and businesses from one location to another. (Votes received: 598)

Environmental Policy

51. Congress shall mandate a complete review of current laws and regulations relating to public health and safety, energy and the environment, such as the Resource Conservation and Recovery Act, Clean Water Act, and Clean Air Act, Endangered Species Act, and National Environmental Policy Act. This mandated review shall be completed within six months.

Before Congress passes laws to be regulated through the EPA and any other agency, which require specific technology and/or procedures for protecting the environment, the agency(ies) must conduct a cost-benefit analysis on a dynamic-basis model and ensure that the particular regulation is based on sound science. For any proposed regulation, said agency shall have six months to complete the cost-benefit analysis prior to implementation. In addition, regulations shall include a funding mechanism that will facilitate compliance and be enforceable on a site-specific basis. All costs shall be allowed to be expensed within the current year. The regulated community shall be included in any cost-benefit analysis.

Where natural conditions exist, compliance based on technical expertise should be accepted as conforming to the intent of the regulation. Regulations should take into consideration site-specific conditions or future use. Any disputes about implementation must be subject to a non-governmental peer group review board. Voluntary environmental audit privilege and disclosure shall release the party(ies) from administrative, civil, and/or criminal penalties (so long as non-compliance is not caused by gross negligence or willful misconduct) when the disclosing entity initiates actions to comply within a reasonable time. No fines can be used to fund the fining agency.

Congress shall mandate EPA and any other agencies to review existing and new regulations to ensure that they adhere to the same standards as outlined in this document. All existing and proposed regulations must not create duplication of enforcement. There shall be no retroactive liabilities. Additionally, the fining ability of the EPA shall be revoked.

Federal agencies regulating environmental matters must make sure that current science, realistic risk assessments, net health analysis, and cost benefit analysis shall apply in order to reduce, condense and/or eliminate regulations, prohibit abuse, allow adequate time to correct, and hold government and its employees accountable. (Votes received: 1,342)

Environmental Policy

57. Federal policy regarding use of private property within the context of environmental issues should be reviewed and substantially revised. EPA- and state-related penalties should be reviewed to confirm that the real potential for environmental harm, risk assessment, and cost-benefit analysis are used in land use decisions. The issues of takings, wetlands, and brownfields should receive special attention, as articulated below.

Takings

Any governmental action, law, or regulation that deprives a property owner of value or benefits of his or her private property shall constitute a “taking” for which said property owner shall be entitled to full “fair market value” compensation. Specifically, government should examine the economic impact before property is taken and prohibit the taking of property without just compensation.

Wetlands

Congress should direct the following changes in wetlands laws and regulations:

(a) If regulations affect a property use after it is acquired, the property owner should be compensated.

(b) The Army Corps of Engineers should have exclusive jurisdiction over Section 404.

(c) Use-based regulations should be encouraged based on relative importance of a wetland to the local environment.

(d) A statutory definition of wetlands should be adopted using saturation at start of a growing season as a criterion.

Brownfields

Congress should enact legislation to encourage reuse of industrial land as follows:

(a) Direct EPA to specify the circumstances under which it would or would not sue a business that is involved with a state-approved reclamation project.

(b) For brownfield projects in which cleanup is commensurate with the intended use, EPA should be required to enter into binding agreements with the parties that no future federal action will be taken. (Votes received: 1,118)

Environmental Policy

63. Congress should enact reformation of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) to apply prospectively as well as retroactively to cleanup sites in progress:

(a) Eliminate retroactive and strict liability prior to January 1, 1987, to prohibit liability for conduct that was not negligent, illegal, or in violation of regulations or permits at the time.

(b) Require sound science and realistic risk assessments and cost/benefit analysis in assessing health and environmental hazards at waste sites.

(c) Require sound science and realistic risk assessments and cost/benefit analysis in establishing cleanup standards. This would include realistic consideration of future uses of the site and actual environmental and health risks associated with such use.

(d) Eliminate “re-openers”—disallowing the reopening of the remediation process at a site or a company’s contribution to the cleanup, after it has been closed.

(e) Offer alternative funding strategies for cleanups.

(f) Make greater use of *de minimis* and *de micromis* exemptions, requiring the EPA to identify all contributions to a site within a reasonable time period and making *de minimis* settlements available prior to litigation or enforcement actions.

(g) Eliminate liability of fiduciaries and lending institutions who hold indicia of ownership primarily to protect security interest in property which is subject to the act.

(h) Eliminate joint and several liability for contamination.

(i) Require potentially responsible parties (PRPs) to inform non-PRPs (parties not named by the EPA) in contribution actions of availability of *de minimis* and/or *de micromis* settlements within a reasonable time period. (Votes received: 1,371)

Environmental Policy

74. Congress should adopt changes in environmental statutes and regulations to assure that they are internally consistent for all requirements of the acts across all regions. Congress should require the EPA to demonstrate that enforcement of environmental laws and regulations is substantially equal in all areas of the country. The Clean Air Act, the Clean Water Act, the Endangered Species Act, and other such acts should be enforced equitably across all regions. (Votes received: 911)

Human Capital

78. Congress shall enact a 100-percent deduction for health care premiums for all business entities so that there is equity in taxation for the self-employed, partnerships, S Corporations, limited liability corporations, and C Corporations. This benefit shall continue to be excluded for tax purposes from the income of employees of all small businesses regardless of form, including from the income of the self-employed. (Votes received: 1,283)

Human Capital

87. Congress should pass a health care package that:

(a) Creates tax deductible medical savings accounts.

(b) Allows the formation of voluntary competitive health insurance purchasing cooperatives.

(c) Eliminates discriminatory health insurance practices such as redlining or cancellation of coverage for reasons other than non-payment or fraud.

(d) Allows for insurability once pre-existing conditions have been satisfied.

(e) Provides for portability of health insurance.

(f) Provides a full 100 percent deductibility of health care costs for all purchasers or limits the deduction to the same percentage for all purchasers.

(g) Provides medical malpractice reform.

(h) Prohibits any mandated coverage.

(i) Permits choice of health care insurer. (Votes received: 1,371)

Human Capital

91. Congress should repeal current disincentives and burdensome regulations on qualified retirement plans and IRAs, and encourage adequate retirement savings and capital accumulation, including:

(a) Adopt a pension simplification bill, which contains the voluntary 401(k) safe harbors, such as H.R. 13 and H.R. 3419.

(b) Raise compensation and benefit levels to 1992 limits and index for inflation.

(c) Provide an exclusion from estate tax for retirement plan and IRA assets to avoid double taxation (they are already subject to income tax).

(d) Eliminate the 15 percent excise tax of IRC Section 4980A.

(e) Repeal the family aggregation rules of IRC Section 414(q)(6).

(f) Reinstate deductible IRAs and expand to include non-employed spouses in full.

(g) Expand SARSEPs to employers with up to 100 employees.

(h) Repeal the minimum participation rules of IRC Section 401(a)(26) for defined contribution plans.

(i) Lower the Qualified Separate Line of Business exception to 15 employees.

(j) Increase the exceptions to the affiliated service group rules and include a minimum 20-percent ownership test for "A" organizations.

(k) Repeal all defined benefit plan rules enacted after 1985.

(h) Amend section 72(p) of the IRC on pension plan loans to: (1) allow for plan loans by proprietorships and partnerships; (2) increase the plan loan balance to \$100,000; and (3) allow for balloon payments in lieu of quarterly payments if the loan is secured by the participant's account balance. (Votes received: 1,369)

Human Capital

103. The President and Congress must support the principle of equal opportunity, which is provided for in the U.S. Constitution. Small, women-owned, and minority-owned companies are entitled to equal consideration in banking, lending, bonding, contracting, and hiring. Laws designed to address these disparities cannot be abolished or restricted.

Congress and the President should adopt the following principles under the recommendations of the White House Conference on Small Business:

(a) Government policy should be oriented toward diversity and fair economic opportunity that stimulates competition, increases productivity, creates jobs, and saves taxpayer dollars, thereby benefiting all Americans.

(b) There should be rigorous enforcement of this policy, including sanctions against fraud and abuse.

(c) There should be periodic review to ensure compliance with this policy. (Votes received: 949)

Human Capital

105. Congress should pass legislation assuring that no business or worker would be discriminated against on any contract based solely on their choice not to be affiliated with a labor union or organization, and ensuring the competition of a trained qualified labor pool without undue union pressures and privileges by:

(a) Passing and enacting the Open Contracting Act;

(b) Passing and enacting national Right to Work Legislation;

(c) Never prohibiting the hiring of permanent replacement workers during or following an economic strike. This includes taking whatever steps are necessary to override President Clinton's executive order that prohibits government contracting with firms who have replaced striking workers; and

(d) Revising the Hobbs Act and the Federal Criminal Code along with other applicable legislation that would:

(1) Reverse the *Enmons* ruling and eliminate other special privileges such as union exemption from prohibitions against libelous and violent speech and union officials' legally-sanctioned power to force workers to pay union dues to an unwanted union;

(2) Require union officials and unions to bear full responsibility for their violence and extortion and criminal acts just like everyone else;

(3) Make union pensions and benefit trusts applicable to the same regulations as other commercial or employer-provider plans;

(4) Make unions subject to all discriminatory and civil rights provisions the same as all businesses, and liable for the blackballing of members who exercise their first amendment rights in opposition to the union leadership;

(5) Use the RICO Act against Union Organizations involved in extortion and the commission of criminal acts; and

(6) Strictly prohibit compulsory union membership. (Votes received: 655)

Human Capital

203. Congress should amend the National Labor Relations Act to:

(a) Protect small businesses from abuses and intimidation practices by organized labor.

(b) Allow small businesses and their employees to discontinue relationships with labor organizations by simply writing a termination letter.

(c) Seek fair and equitable resolution between labor and management.

(d) Encourage cross-training of craftsmen for greater productivity and efficiency.

(e) Prevent the use of taxpayer funds to sue on behalf of multimillion-dollar unions.

(f) Encourage labor organizations to permit compensation based on productivity and quality of work.

(g) Restore employers' ability to establish and use employee involvement committees by repealing the impact of the Electromation case (309 NRLB No. 163) and the Dupont case (311 NRLB No. 88). (Votes received: 591)

Human Capital

324. Social Security Privatization. Congress should privatize Social Security by adopting a graduated phaseout and giving full disclosure to the American people on the solvency of the fund and the amount of money they, as individuals, have paid into the fund. Congress should adopt a minimum 15-year graduated phaseout schedule for government funding of Social Security for all new retirees; continue funding existing and "phase-out" retirees from the employer's 6.2 percent (allow up to 15 percent) FICA portion; and allow for the employee's 6.2 percent FICA portion to be paid into their personal Compulsory-IRA/401(k) (CIRA) style account. Require all "CIRAs" to buy disability and survivor's insurance benefits equal to that of Social Security. (Votes received: 818)

Human Capital

336. The President and Congress should enact legislation that consolidates the current federal workforce programs into state block grants that:

(a) Provide local control of specific skills training based on local needs.

(b) Require states to allow participation by small businesses with fewer than 500 employees for on-the-job training of new and existing workforces.

(c) Provide tax incentives to small businesses that fund their own workforce training programs.

(d) Encourage public-private partnerships of job training. (Votes received: 974)

International Trade

115. The President shall direct the U.S. Trade Representative to lead an international effort to protect the ownership of intellectual property and to ensure adoption of reciprocal uniform standards, centralized filing and an efficient international dispute resolution procedure for registration and enforcement of trademarks and trade names, working with NAFTA, GATT and other treaty partners. We further recommend that Congress protect international patent rights in a way that takes into account the needs of small business, including retaining the patent term to run for 20 years from date of application or 17

years from date of issue, whichever is longer, that patent application remain unpublished until the patent is granted, and that the patent remains with the first to invent rather than first to file. (Votes received: 1,080)

International Trade

121. Small business owners are calling for the implementation of global “one-stop shopping”/ one-entity access to all government information and resources. Congress and the administration should create a pilot program that leverages private-sector resources to assist associations (private and public, particularly existing public/private partnerships) in helping their small business members trade internationally. Examples that would require no new funding include model training programs, on-line database services, electronic learning networks, trade incubators (including those in U.S. and Foreign Commercial Service locations around the world), international trading cooperatives, trade missions, second- and third-tier exporting programs, niche market development programs, and marketing-development cooperative programs.

The Administration should appoint small business representatives to all advisory or dispute settlement bodies as part of the private-sector representation (example: the World Trade Organization dispute settlement panels.)

Congress and the Administration should maintain effective programs (eliminating ineffective programs) of the U.S. Department of Commerce International Trade Association that assist all American small business in entering and/or expanding export sales, emphasizing emerging markets as a part of public/private partnership efforts to increase U.S. exports, U.S. jobs, and U.S. economic vitality.

Note: No part of this issue shall be interpreted to be in conflict with GATT and/or other existing international trade agreements. (Votes received: 1,329)

International Trade

129. Congress and the President shall authorize and encourage the ExIm Bank and the SBA to sponsor revitalized fund programs designed to foster the financing of international trade (goods and services) including the new Export Working Capital Program to:

(a) Provide pre-export financing, unsecured working capital loans, transaction-based loans and pooled loans, rather than balance sheet and asset-based loans;

(b) Provide educational programs for regional and local banking and financial institutions on the methods to finance exports of small businesses;

(c) Educate and inform the small business community on available programs to finance exports;

(d) Coordinate the efforts of various federal agencies that attempt to provide financing for exports; and

(e) Provide credits and other incentives for small businesses to develop and expand into foreign markets. (Votes received: 1,181)

Main Street

130. Congress must remove the barriers that prevent franchisees, dealers, and product distributors from exercising their basic legal and constitutional rights by enacting H.R. 1717, now before the 104th Congress. (Votes received: 997)

Main Street

134. Congress must remove the barriers imposed on small business people in their relationship with large national and multi-national corporations, which prevent these small business people from mediating, arbitrating, or litigating in their own home state. (Votes received: 930)

Main Street

139. Congress should legislate the creation of a Small Business Relief Fund to economically assist small businesses that are displaced by the establishment of a big business in their localities where the big business will contribute an annual fee for the fund. (Votes received: 590)

Main Street

140. Congress should introduce and pass the National Disaster Protection Act which would include a private sector "All Risk" Property Insurance Program offered through a newly created private non-profit organization to reinsure catastrophic losses. (Referenced in the Report of the Bipartisan Task Force on Disasters, Recommendations #1 and #2, U.S. House of Representatives, December 14, 1994.) (Votes received: 841)

Main Street

141. Small business cannot compete with large businesses who use their economic power to extract unfair competitive pricing from manufacturers and service providers. Antitrust laws should be strengthened and enforced to prohibit abuses including unfair vertical integration, tying of pricing and product purchases, and predatory pricing tactics. The President should appoint a presidential commission on competition to study the enforcement and impact of the federal antitrust laws on ensuring the survival and diversity of small businesses. (Votes received: 829)

Procurement

144. Support fair competition: Congress should enact legislation that would prohibit government agencies, tax- and antitrust-exempt organizations from engaging in commercial activities in direct competition with small businesses. (Votes received: 1,285)

Procurement

153. Congress should enact legislation to designate a national certification organization. This organization will be initially funded by Congress to establish a database of certified small businesses, small disadvantaged businesses, and

small businesses owned by women. It will serve as a one-stop clearinghouse that will assist all federal agencies by disseminating information in conjunction with their outreach efforts. To assure the credibility of federal procurement procedures:

(a) Congress will endorse one set of criteria for all local, city, state, and national agencies, adopted by a task force utilizing purchasing agents and small businesses owners, for uniform certification of small businesses, small disadvantaged businesses, and small businesses owned by women where contracts involve federal funds.

(b) All federal agencies must establish standardized monitoring and compliance procedures;

(c) Independent, decentralized advisory boards should be established.

(d) States and local communities should be encouraged to recognize this certification on a reciprocal basis.

(e) All federal agencies should sponsor training to increase contracting/procurement officer awareness and use of reciprocal certification and database. (Votes received: 968)

Procurement

161. The President and Congress should continue to support the Minority Small Business Capital Ownership and Development Program, SBA 8(a), and should enact legislation to make improvements with particular emphasis on:

(a) Increase length of time.

(b) All federal minority procurement policies and procedures must be incorporated and applied to any recipient of federal funds and become mandatory.

(c) Increase utilization of 8(a) contractors by enforcing accountability of federal agencies in achieving their 8(a) goals.

(d) The establishment of procedures for immediate relief in the event of catastrophic circumstances including but not limited to:

(1) total dissolving of government agencies;

(2) natural disasters;

(3) base closures.

(e) Relief to be in the form of extended participation in the 8(a) program for a reasonable time to recover from the catastrophic circumstance.

All of the above will follow the intent of the SBA 8(a) program to raise 8(a) businesses to a threshold allowing them to graduate to the open competitive market. (Votes received: 806)

Procurement

164. The Davis-Bacon Act of 1931 and the Service Contract Act of 1965 should be completely repealed. (Votes received: 1,046)

Procurement

167. Prompt Payment Act: The Office of Management and Budget must penalize federal agencies and/or their grantees for incurring interest debt generated through delayed bill payment. Congress should modify this Act to include subcontractors. In cases of dispute between the government and a prime contractor, the subcontractor's payment must be promptly released as long as the subcontractor is not part of the dispute. (Votes received: 846)

Procurement

360. Increase Procurement Opportunities: Increase the opportunities for all small businesses to equitably participate in federal procurement. Require that:

(a) Not less than 35 percent of all government procurement monies (35 percent of prime and 35 percent of subcontracts) be awarded to small firms, such that at least:

(1) 10 percent of prime and 10 percent of subcontract monies be awarded to minority businesses;

(2) 5 percent of prime and 5 percent of subcontract monies be awarded to women-owned businesses; and

(3) 10 percent of the government's total R&D budget be awarded to small businesses;

(b) Small businesses be provided free and easy access to the government's electronic commerce system, FACNET, which profiles federal procurement opportunities;

(c) Competition not be stifled by permitting federal agencies to "bundle" contract requirements beyond the reach and capability of many small firms; and,

(d) Government agencies and tax-exempt entities not be allowed to unfairly compete with private firms by strengthening and expanding OMB circular A-76 to apply to all federal monies used directly or indirectly in the provision of goods and services and by increasing the scope and improving the enforcement of the unrelated business income tax (UBIT).

(e) On sole-source purchases above \$100,000, a query of PASS must be done by federal agencies and prime contractors.

(f) The "Rule of Two," which requires federal agencies to restrict competition when two or more small businesses are capable and available to compete in price, quality and product/service for contracts of \$100,000 or more, be strictly enforced.

(g) The Department of Defense and the Small Business Administration sponsor EDI training through the already established network of small business procurement assistance centers located nationwide.

(h) The SBA review and revise the size criteria downward to reflect the "true" small business. (Votes received: 954)

Procurement

437. In rendering a decision on *Adarand v. Peña* the U.S. Supreme Court has potentially dealt the minority and women business community a severe and in some cases potentially fatal blow. While we recognize the separation of functions between the three branches of government, we are compelled out of an immediate and overwhelming sense of concern to recommend the following:

The President and Congress should proactively and aggressively respond to support the minority and women business community, and not use this decision in any way to influence any legislative action that would reduce support for our country's long-standing commitment to promote fair and equitable opportunity for all of its citizens regardless of race, color, or gender. (Votes received: 751)

Regulation and Paperwork

183. Congress should amend the Regulatory Flexibility Act, making it applicable to all federal agencies, including the Internal Revenue Service and the Department of Defense, to include all of the following:

(a) Require cost/benefit analysis, scientific benefit analysis, and risk assessment on all new regulations and Internal Revenue Service interpretations.

(b) Grant judicial review of regulations, providing courts the ability to stay harmful and costly regulations and to require agencies to rewrite them.

(c) Require small business representation on policy-making commissions, federal advisory and other federal commissions or boards, whose recommendations impact small businesses. Input from small business representatives should be required in any future legislation, policy development, and regulation-making affecting small business.

(d) With respect to all regulations involving small business, require negotiated rulemaking proceedings for adoption of all rules, with small business representing 50 percent of the negotiating panel. (Votes received: 1,398)

Regulation and Paperwork

188. Congress shall enact legislation and appropriate enforcement provisions to include all of the following:

(a) Require all agencies to simplify language and forms required for use by small business and that only the English language be required.

(b) Require all agencies to sunset and reevaluate all regulations every five years, using the same standards required for new regulations, with the goal of reducing its total paperwork burden by at least 5 percent each year for the next five years.

(c) Require agencies to assemble information through a single source on all small business related government programs, regulations, reporting requirements, and key federal contacts' names and phone numbers, with as much as is feasibly available by on-line computer access.

(d) Eliminate duplicate regulations from multiple government agencies. (Votes received: 1,046)

Regulation and Paperwork

194. Congress shall enact legislation and appropriate enforcement to include all of the following:

(a) Require that all agencies provide a cooperative/consulting regulatory environment that follows due process procedures and that the agencies be less punitive and more solution-oriented in dealing with unintentional regulatory violations.

(b) Require that fines take into account the severity of the infraction, size and type of company, past safety record and the frequency and severity of the violations.

(c) Allow proposed fines to be used toward correcting violations.

(d) Prohibit fines either for violations identified during a consulting visit requested by the company, or by an agency investigator and brought to the attention of the employer for the first-time specific violation. If the company is found to be in substantial compliance; the employer and inspector should negotiate a reasonable timetable for compliance, and fines should be levied only for failure to comply within that timetable.

(e) Allow small business the option of binding arbitration to resolve any dispute with any federal agency.

(f) Require that regulatory agencies put the fines that they impose and collect into the general treasury fund toward retiring the national debt; said agencies should be prohibited from receiving credit or usage of such monies.

(g) Require that the liability of the employer and the employee be relative to their respective culpability.

(h) Require enforcement actions to comply with American due process concepts: notice and opportunity to be heard, a presumption of innocence until proven guilty, and an impartial judge. (Votes received: 1,328)

Regulation and Paperwork

200. Congress and the President should propose and enact legislation that reforms civil justice and product liability legislation to accomplish the following:

(a) Return to a fault-based standard of liability.

(b) Eliminate joint-and-several liability in cases where the defendants have not acted in concert.

(c) Limit non-economic damages (such as pain and suffering, and mental anguish) to three times the economic damages or \$250,000, whichever is greater.

(d) Restrict punitive damages to cases of willful and malicious conduct. The amount awarded should be split between the plaintiff and a judicial system trust.

(e) Reduce awards in cases where a plaintiff can be compensated by collateral sources, to prevent windfall double recovery.

(f) Impose a uniform reasonable statute of limitations and repose in all civil actions, and hold defendants to the state of the art in existence at the

time the product was manufactured or a service performed, unless willful abuse is proven. There is no defense in drug or alcohol abuse.

(g) Provide for periodic, instead of lump sum, payments for future medical or lost income, administered by a court-appointed trustee.

(h) The prevailing party in a legal action should have a statutory right to recover costs and attorney fees from the non-prevailing party (British Code). (Votes received: 1,332)

Regulation and Paperwork

369. Small business and OSHA must work together in a non-adversarial, supportive relationship to attain public policy safety goals. To accomplish this, Congress must pass legislation as follows:

(a) Require that voluntary compliance audits be performed within 60 days of a request by a small business. Such audits must be educational and non-threatening with written results and no fines issued.

(b) Businesses which have completed a voluntary inspection and have corrected any deficiencies within the time allotted, will not be fined at a subsequent inspection for deficiencies that were missed or interpreted differently by the first inspector.

(c) Require that all enforcement inspections, no matter how limited the scope of the inspection, will result in an overall inspection score or grade to be issued in writing by the inspector. On the basis of that grade, no fines or penalties may be issued for deficiencies found if the facility (or that portion of the facility inspected), has been found to be in substantial compliance. In addition, in those cases where at least 90 percent of the entire facility has been inspected and the overall grade indicated that the company is in substantial compliance, OSHA will issue a letter of commendation recognizing the company for its efforts. If needed, a definition of substantial compliance would include:

(1) a limited number of violations/deficiencies found vs. number of items inspected.

(2) the company has an active safety committee or program and demonstrates commitment to safety by management.

(3) major programs (i.e., right-to-know, confined space, lock out/tag out, training, etc.) are in place.

(d) Amend regulations to assign responsibility for regulatory compliance to the employee as well as the employer.

(e) Amend OSHA regulations to require that when an employer and/or employee notifies OSHA officially that compliance has been achieved, OSHA must confirm that compliance has occurred within 72 hours of notification.

(f) Amend regulations to require OSHA not to make any inspections (unless voluntary) on any small business workplace and/or worksite unless an accident has been recorded and reported.

(g) Amend OSHA regulations to require a review and the development of construction standards that reflect the needs of industry-use groups. (Votes received: 1,030)

Taxation

214. Small businesses typically rely on close personal relationships and customer service to compete for sales rather than expensive advertising campaigns. Expenditures for meals and entertainment are often an important part of this effort. The recent changes in the tax laws to disallow 50 percent of these expenditures for tax purposes has disproportionately increased the selling costs for many small businesses. Accordingly, Congress and the President shall enact legislation which will allow a tax deduction for 100 percent of the expenditures for meals and entertainment. (Votes received: 1,444)

Taxation

218. Congress should repeal the federal estate, gift and generation-skipping tax laws. There is currently legislation before the 104th Congress known as the Family Heritage Preservation Act (H.R.784/S.628) that would accomplish this. The negative effect on small businesses and others far exceeds the net income to government when all administrative costs to individuals, businesses, and the government are considered. (Votes received: 1,385)

Taxation

224. The definition of an independent contractor must be clarified. Congress should recognize the legitimacy of an independent contractor.

(a) The 20-factor test is too subjective. The number of relevant factors should be narrowed with more definition guidelines for implementation. Realistic and consistent guidelines that require one of four criteria plus a written agreement. The criteria are (1) realization of profit or loss; (2) separate principal place of business; (3) making services available to the general public; or (4) paid on a commission basis.

(b) Safe-harbor provisions should be established that would protect the hiring business from the burdensome penalties currently being assessed by the IRS. *De minimis* rules based on dollars paid, hours worked, years in business, and/or specified closed-end projects should be established.

(c) The IRS should eliminate back taxes for misclassification when Form 1099s are filed and there is no evidence of fraud.

(d) Congress should specifically allow employers and independent contractors to provide joint technical training and to jointly utilize major specialized tools without jeopardy of reclassification of the independent contractor to employee status.

(e) Changes and implementation processes should be formulated by a joint committee of legislators and small business people. (Votes received: 1,471)

Taxation

229. To promote a fair and equitable system of taxation, to encourage greater citizen participation and understanding, and to totally abolish the complicated present system, Congress should enact legislation that replaces the present system with a simple tax for individuals and businesses. (Votes received: 801)

Taxation

233. Congress should permit deductions of expenses up to \$250,000 annually for the purchase of new or used equipment for use in a small business and should remove the cap of \$200,000 and have no upper qualifying limit on the Section 179 election. (Votes received: 990)

Taxation

242. Congress should modify and expand the 50 percent capital gains exclusion for small business stock passed in the 1993 Revenue Reconciliation Act so that it provides a front-end, as well as a back-end incentive for investment in small businesses. Specific recommendations:

(a) Allow investors to sell funds in any investment and roll the investment into a small company, as defined by the current law, within two years. Capital gains tax on assets sold would be deferred (using the same methods as like-kind exchanges). Taxes would be payable at the favorable small business rate if held for the specified period.

(b) Phase in the preferential tax treatment over a five-year holding period. For example, an investor with a three-year holding period would pay: 28 percent – (28 percent x 50 percent x 60 percent) = 19.6 percent.

(c) Amend Code Section 1202 to extend its benefits to S Corporations, partnerships, and sole proprietorships by defining a “qualified small business” to include all such business entities and extend the definition of a qualified trade or business under Section 1202 to all types of businesses. (Votes received: 1,054)

Taxation

250. Congress should enact legislation that would prevent it from raising taxes retroactively. (Votes received: 974)

Taxation

252. Congress should enact legislation that requires a two-thirds supermajority vote in both houses of Congress to enact legislation resulting in a tax increase. (Votes received: 681)

Taxation

253. Payroll Tax Relief: A cap must be placed on the employer’s portion of payroll taxes. Congress should reject all proposals to raise payroll taxes in its

effort to repair the Medicare program. Payroll taxes are regressive and discriminate against small businesses. (Votes received: 571)

Taxation

385. Tax Equity Now! Congress and the President shall enact legislation that shall place large and small businesses on a level playing field for tax purposes—that is, provide tax equity—in situations where small businesses are currently at a disadvantage. This should be done by uniformly applying the tax law to all forms of business (e.g. proprietorships, partnerships, C Corporations, S Corporations, limited liability companies) with regard to tax rates, deductions, and exclusions as follows:

(a) All forms of business entities to take deductions for 100 percent of the medical insurance premiums, dependent care, and other fringe benefits not currently deductible by self-employed individuals, partnerships, S Corporations, and limited liability companies on behalf of all of their employees who are owners, partners, shareholders, and/or members. As long as fringe benefits continue to be excluded from the income of employees of large C Corporations, then such benefits should be excluded from the income of employees of all small businesses, regardless of form, as well as from the income of self-employed individuals.

(b) Pension plan benefits currently available to employees of large businesses to be made available to self-employed and employees of small businesses as provided in Recommendation no. 91.

(c) All C Corporations to be taxed using the same graduated tax rate schedule. Section 11(b)(2) of the Internal Revenue Code, taxing the income of qualified personal service corporations at a flat 35 percent tax rate, should be repealed.

The privilege of deducting legitimate business expenses should no longer be based upon the entity chosen to operate such business. The choice of an entity within which one will operate a business should be a legal issue, not a tax issue. (Votes received: 1,258)

Taxation

390. Congress should enact a comprehensive policy on capital gains that encourages long-term investment in productive assets. This policy should include the following provisions.

(a) Indexing of the cost basis of assets held more than one year.

(b) A targeted capital gains exclusion of 50 percent of the indexed gain for an investment in a qualified small business held more than three years. A qualified small business should include all forms of business entities including pass-throughs.

(c) A maximum tax of 10 percent on the sale of a majority interest in a qualified small business held for more than 15 years.

(d) A deferral of the gain on the sale of an interest in a qualified small business if the gain is reinvested in another qualified small business within two years.

- (e) The non-taxable portions of gains should be exempt from the alternative minimum tax calculations.
- (f) The capital loss reduction limitation of \$3,000 should be eliminated.
- (g) Reinstate the “General Utilities Doctrine” to eliminate the double taxation of proceeds from the sale of a business. (Votes received: 944)

Technology and the Information Revolution

265. Congress and the executive branch should promote the rapid private-sector development of the National/Global Information Infrastructure (NII/GII) and protect all intellectual property transmitted over it. Congress and the U.S. Patent Office should also implement an enforceable and universal intellectual property (patent, trademark, and copyright) application with all members of the World Trade Organization, while maintaining “first to invent.” This must also include the ability to police existing laws and treaties more judiciously, and to update definitions of intellectual property on a continuing basis.

Said branches of government should enact the following:

- (a) Ensure that legal protection of intellectual property rights, as well as fair access, is fully accorded with respect to products over the National Information Infrastructure (NII) and the Global Information Infrastructure (GII).
- (b) Incorporate the responsibility for trademark and copyright appeals litigation with the federal Circuit Court of Appeals, as was done in the mid-1980s with patents.
- (c) Prevent premature disclosure through Freedom of Information Act (FOIA) access to proprietary Small Business Innovation Research (SBIR) technologies.
- (d) Expeditiously and simultaneously open all telecommunications markets to full and fair competition.
- (e) Make it possible for all providers to equally compete in offering one-stop shopping for telecommunications products and services; legislation should provide universal access.
- (f) Ensure privacy to all users from all parties, including the government (for example, the Clipper Chip or its successor), and security of the infrastructure.
- (g) Promote open and affordable access to all small business, including underserved communities, rural communities, and minority- and women-owned businesses.
- (h) Provide technology education and training by redirecting existing federal programs through private sector small businesses.
- (i) Include small business representation on all NII/GII-related federal commissions and committees.
- (j) Require government agencies utilizing EC/EDI technology to use a standard technology accessible and affordable to small businesses.

(k) Create an on-line one-stop electronic clearinghouse service coordinated by SBA/SBDC to provide access via the information superhighway (for example the World Wide Web, etc.) to technical, legal, patent, regulatory, environmental, commerce, and government procurement/bidding opportunity information.

(l) The Economic Classification Policy Committee should review and revise SIC codes every three to five years to reflect economic advancements of American society, for example the definition of "manufacturer" to include "knowledge-based manufacturing" and "technology consulting." (Votes received: 1,358)

Technology and the Information Revolution

406. Congress should enact legislative programs that expand the availability of technology commercialization funding and investment capital for small, rapidly growing innovative companies including, as a minimum:

(a) Expand, improve, and make permanent the SBIR/STTR programs by:

(1) Excluding cost-sharing in proposal evaluation and scoring for either Phase I or Phase II and prohibiting agencies from imposing artificial ceilings on indirect and IR&D expenses.

(2) SBA directives to agencies to budget an appropriate portion of administrative overhead and committing adequate personnel to managing the SBIR program.

(b) Encourage investment in small companies by:

(1) Retaining and expanding targeted capital gains, including mutual fund and institutional investments in small business.

(2) Allowing tax-free rollovers for direct investments by all investors in small business.

(3) Providing additional incentives and reducing inhibiting regulations for investments in small companies by pension funds, institutional and/or corporate investors.

(4) Amending tax loss rules for NOL carry forward.

(5) Expanding and making permanent the R&E tax credit.

(c) Develop new public markets and instruments for small firm securities.

(d) The Congress should support flexible manufacturing through the promotion of partnerships between small business and existing resources to create more efficient and flexible manufacturing processes, and nurture the growth of U.S. manufacturing industries.

(e) Direct the establishment of a temporary multi-agency task force to quickly address and solve the impediments to the above. (Votes received: 1,292)

Unclassified

280. Deficit spending continuing year after year poses a grave threat to our freedom as the world's leading economic power and to our free enterprise system. The President and Congress must take immediate steps to bring the federal budget into balance by eliminating or reducing appropriate programs,

commissions, agencies and departments and by instituting all other measures available to them. (Votes received: 913)

Unclassified

286. The U.S. Small Business Administration (SBA) is vital to the growth of small business in America. Efforts to make the SBA's programs more cost effective and efficient should be continued and encouraged. The SBA's "independent" agency role as the primary supporter of small business within the federal government should be enhanced by:

(a) Elevation of the U.S. Small Business Administration to a congressionally approved cabinet level position.

(b) Budget allocations to maintain, increase, and enhance the 7(a) Loan Guaranty Program.

(c) Budget allocations to maintain, increase, and enhance the 504 Loan Program.

(d) Budget allocations to make permanent the Small Business Development Center Program, which provides business assistance to small businesses nationwide.

(e) Permanent maintenance of the "independent role" of the U.S. Small Business Administration's Office of Advocacy.

(f) All other SBA programs should be reviewed with substantial input from the private sector. Any programs deemed to be ineffective should be eliminated. (Votes received: 1,249)

Unclassified

287. Congress should authorize and the President convene a White House Conference on Small Business every four (4) years to provide a continuing forum for owners and entrepreneurs to promote and work for the betterment of small business and ensure that they remain a vital part of the American economy. (Votes received: 730)

Unclassified

288. Congress should develop a tangible process for monitoring the implementation progress of the recommendations that emerge from the WHCSB National Conference in June 1995. This monitoring process should be developed to make Congress and the President accountable to the WHCSB participants, and should be achieved specifically by doing the following:

(a) Periodic updates to WHCSB participants by SBA's Office of Advocacy on the progress of implementation; and

(b) Annual summit of state WHCSB chairs, or their representatives, to discuss and evaluate the progress of implementation. (Votes received: 916)

Appendix 2.2 White House Conference on Small Business Implementation Checklist

Issue Area	No.	Recommendation	Executive Activity	Congressional Activity	Implementation	
					Law	Summary
Capital Formation	5	Encourage pension and retirement fund investment in small business	The IRS is streamlining the process for obtaining prohibited transaction class exemptions on investments of self-directed retirement plan assets.	Legislation passed the House during the 104th Congress that would restrict economically targeted investments.	No	In progress
Capital Formation	9	Bank regulatory reform to encourage small business lending	The Administration has undertaken a comprehensive effort to lessen the regulatory burden on lending institutions to increase the credit available to small business. The Comptroller of the Currency issued streamlined examination and compliance procedures for small national banks.	The 104th Congress passed and the President signed the Economic Growth and Regulatory Paperwork Reduction Act of 1996. Legislation was introduced in the 105th Congress that would permit the Federal Home Loan Banks to lend to small businesses. The legislation also would permit greater expansion of financial service industries into banking and securities.	P.L. 104-208	In progress
Capital Formation	14	Increase the availability of growth capital to small business	The SBA's SBIC Program has granted two contracts to examine the outsourcing of some of its licensing and examination activities. The 105th Congress passed and the President signed into law revisions to the capital gains tax provisions for investments in small businesses. See recommendation no. 385.	Legislation has been introduced in the 105th Congress that would permit the SBA's SBIC Program to set aside fees from new SBICs to be used for outsourcing licensing and examination of the SBIC Program.	No	In progress

Capital Formation	20	Tax code changes to encourage small business investment	President Clinton signed P.L. 105–34, the Taxpayer Relief Act of 1997.	P.L. 105–34: (a) lowers the tax on capital gains; (b) retains a favorable rate (14 percent) to help target long-term investment in qualified small business; and (c) allows for the roll-over from one qualified small business investment to another. Congress passed and the President signed the Small Business Jobs Protection Act, P.L. 104–188, that reforms and expands S corporation provisions. The law allows S corporations to create employee stock ownership plans—see recommendation no. 385.	P.L. 105–34 and P.L. 104–188	In progress
Capital Formation	24	Small Corporate Offering Registration	SBA's Office of Advocacy assisted the North American Securities Administrators Association in the drafting and the adoption of a Model Accredited Investor Exemption to facilitate sales of securities by small companies.	The National Securities Markets Improvement Act of 1996 directs the Securities and Exchange Commission to study and report to Congress on the extent to which uniformity of state regulatory requirements for securities has been achieved.	P.L. 104–290	In progress
Capital Formation	25	Small business loan guarantee programs	The SBA worked with Congress to overhaul its loan guarantee programs to allow greater availability of funds without increased appropriations. Administratively, SBA has worked to prohibit abuses of the guarantee programs and has decreased the length of time necessary to process guarantee applications.	The President signed the Small Business Lending Enhancement Act of 1995, which changed the SBA's guaranty lending programs, increasing the availability of program funds. Congress also passed the Small Business Programs Improvement Act of 1996.	P.L. 104–36 and P.L. 104–208	Completed

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Issue Area	No.	Recommendation	Executive Activity	Congressional Activity	Implementation	
					Law	Summary
Capital Formation	28	Community Reinvestment Act rating includes small business lending	The Administration and the banking regulators have revised regulations to implement the CRA. The regulations include greater emphasis on small business lending and require large financial institutions to collect small business lending data. Implementation of these new regulations began on January 1, 1996.	No action.	No	Completed
Community Development	31	Federal measures to address distressed urban and rural areas	The Administration has pursued and endorsed policies to support distressed rural and urban areas, including the DELTA program, the Empowerment Zone and Enterprise Community program, the SBA's micro-loan program, CRA enforcement, and support for business ownership by women and minorities. See also recommendation no. 28.	S. 208, the Hubzone Act, introduced; mark-up pending.	No	In progress
Community Development	34	Expand the home office deduction	The President signed P.L. 105–34, the Taxpayer Relief Act of 1997.	Congress passed the Taxpayer Relief Act of 1997. Redefines "principal place of business" to be the place where essential administrative and managerial functions occur.	P.L. 105–34 and P.L. 104–188	Completed
Community Development	41	The Department of Education and the SBA should create a K-12 Entrepreneurship Education program	The Administration's School-to-Work Opportunities Initiative creates partnerships between educators, businesses and communities to achieve much of this recommendation.	The School-to-Work Act passed Congress and was signed into law by the President in May 1994.	P.L. 103–239	In progress

Community Development	44	Congress should prevent the direct or indirect use of federal funds to lure business into a state from another state	Not applicable—requires legislation.	H.R. 1842 introduced in the 104th Congress. No current legislation.	No	In progress
Environmental Policy	51	Sound science, risk assessment, health and cost benefit analysis applied to all regulations	The Administration has made a concerted effort both to make regulations “user-friendly,” based on the best information available, less punitive in nature, and to provide compliance assistance.	Legislation pending that addresses parts of this.	No	In progress
Environmental Policy	57	Environmental legislation’s impact on private property, i.e., takings, wetlands, brownfields	Requires legislative action. The Administration opposes pending takings proposals because of their impact on vital protections and the budget, preferring to protect private property interests by reinventing individual regulatory programs where consistent with environmental and other protections, including simplifying wetlands policy.	In the 104th Congress, legislation passed the House to address takings.	No	In progress
Environmental Policy	63	Superfund reform	The Administration has promulgated reforms to the Superfund program that address sound science, remedy selection, lender liability, and <i>de minimis</i> and <i>de micromis</i> settlements.	Hearings held in Senate; S. 8 introduced in January 1997.	No	
Environmental Policy	74	Uniform enforcement of environmental statutes and regulations	The Administration is committed to the uniform enforcement of environmental statutes and regulations.	No legislation required.	NA	
Human Capital	78	100 percent health care deduction for all business entities	President Clinton signed P.L. 105–34, the Taxpayer Relief Act of 1997, increasing the deductible for the self-employed to 100 percent by 2007.	Congress passed the Taxpayer Relief Act of 1997.	P.L. 105–34	Completed
Human Capital	87	Health care reform	President Clinton signed the Balanced Budget Act of 1997 to expand the MSA pilot project to Medicare recipients and to expand portability and health care coverage to children of poor families.	Legislation passed in 1997.	P.L. 105–33 and P.L. 104–191	In progress

Appendix 2.2 White House Conference on Small Business Implementation Checklist

Issue Area	No.	Recommendation	Executive Activity	Congressional Activity	Implementation	
					Law	Summary
Human Capital	91	Pension reform	President Clinton signed P.L. 105–34, the Taxpayer Relief Act of 1997, which increased eligibility for IRAs. President Clinton signed the Small Business Jobs Protection Act of 1996.	The Small Business Jobs Protection Act of 1996 provided for simple pensions, especially for small businesses. It also reformed 401(k) plans, making them easier to use. The Taxpayer Relief Act of 1997 raises income limits for IRA deductions.	P.L. 105–34 and P.L. 104–188	In progress
Human Capital	103	Ensure small, women- and minority-owned firms are afforded equal opportunities	The Administration has publicly committed to ensuring that its policies are oriented toward diversity and fair economic opportunity. In order to comply with the <i>Adarand</i> decision, the SBA proposed new regulations to expand the 8(a) program to increase number of white women eligible.	Legislation introduced to inhibit the bundling of federal contracts into one large contract (H.R. 373) and to increase the small business goal from the current 20 percent to 25 percent (H.R. 1824).	No	In progress
Human Capital	105	Labor law reform	Some parts of this recommendation are current law and are enforced as such: the use of the Racketeer Influenced and Corrupt Organizations Act, the legal responsibility of unions and their officials for criminal acts, and the application of civil rights provisions to unions.	No action	No	No action
Human Capital	203	Reform of the National Labor Relations Act	Current law already protects small businesses from abuses and intimidation practices by organized labor.	No action	No	No action
Human Capital	324	Privatize Social Security	Not applicable – legislation required.	No action	No	No action

Human Capital	336	Consolidate federal work force programs into state block grants	Legislation required. The President proposed the GI Bill for America's Workers.	S. 17 introduced to consolidate several federal job training programs by developing a voucher system to provide dislocated workers and economically disadvantaged adults with the opportunity to choose appropriate training. The bill also provides for one-stop career centers for training.	No	In progress
International Trade	115	Intellectual property protection	The Department of Commerce and the Office of the U.S. Trade Representative have worked actively to protect American intellectual property rights with a number of high profile successes reported. The Administration supports legislation strengthening patents.	A bill to revamp patent laws passed the House (H.R. 400); action on a Senate bill (S. 507) is pending.	No	In progress
International Trade	121	Export assistance for small business	The Administration opened 18 Export Assistance Centers (jointly staffed and supported by the SBA, the Export-Import Bank, and the Department of Commerce) that offer one-stop export assistance to small businesses. The Department of Commerce includes small businesses on its trade advisory committees.	No action	No	In progress
International Trade	129	Export finance	Legislation required. The SBA's Export Working Capital program provides pre-export and export finance. The appointment of the SBA Administrator to the President's Export Council for the first time in history ensures small business representation.	No action	No	In progress
Main Street	130	Legal rights of franchisees, dealers, and product distributors	The FTC's franchise rule is currently under review; the FTC published an advance notice of proposed rulemaking on disclosure requirements of franchise opportunities.	Legislation was introduced in the House (H.R. 1083), the Federal Practices Act of 1997; the bill was referred to committee.	No	In progress

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Issue Area	No.	Recommendation	Executive Activity	Congressional Activity	Implementation	
					Law	Summary
Main Street	134	Remove the barriers to small firms mediating, arbitrating, or litigating in their home states	Not applicable—legislation required.	No action	No	No action
Main Street	139	Create a relief fund to assist small businesses displaced by large businesses	Not applicable—legislation required.	No action	No	No action
Main Street	140	Private sector “all risk” property insurance program	Not applicable—legislation required.	No action	No	In progress
Main Street	141	Antitrust laws should be examined and strengthened	The FTC has stepped up its efforts in investigating antitrust violations and negotiating consent agreements. The Department of Justice has strengthened its criminal antitrust enforcement efforts.	No action	No	No action
Procurement	144	Prohibit government and tax-exempt organizations from competing with small firms	The Administration issued a revision of the A-76 circular to protect businesses, including small businesses, from unfair government competition.	S. 314 and H.R. 716, the Freedom from Government Competition Act, was introduced. Congress is considering removing mandatory status for Federal Prison Industries.	No	In progress
Procurement	153	Establish a national organization to develop uniform certification criteria for small, disadvantaged, and women-owned firms	The Administration is reviewing a possible certification process.	No action	No	In progress

Procurement	161	8(a) program reforms	The Administration strongly supports policies oriented toward diversity and fair economic opportunity. The SBA, with other agencies, initiated a “Delegation of Authority” pilot program to streamline the 8(a) program. The SBA will introduce PRO-Net, an Internet-based information system and marketing tool for 8(a) participants. The SBA published proposed rules to further streamline the 8(a) program.	No action	No	In progress
Procurement	164	Repeal the Davis-Bacon and Service Contract Acts	The Administration supports reform of the Davis-Bacon Act, but strongly opposes repeal of the Davis-Bacon and Service Contract Acts.	Legislation is not likely.	No	In progress
Procurement	167	Strengthen the Prompt Payment Act	Legislation required. The Administration is examining options to provide payment relief to small firms. OMB issued policy letters to federal agency heads outlining the importance of the act and the agencies’ obligations. The OFPP is preparing a policy letter on subcontractor payments.	No action	No	In progress
Procurement	360	Increase opportunities for all small businesses to participate equitably in federal procurement	The SBA and the OFPP are developing a small business set-aside pilot program for service task-order contracts. <i>Commerce Business Daily</i> automated and procurement opportunities are now available on the Internet. The Administration agrees to increase the government-wide procurement goal to 23 percent.	104th Congress passed the Federal Acquisition Reform Act of 1996. H.R. 373 introduced in 105th Congress to limit contract bundling.	P.L. 104–106	In progress

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Procurement	437	Congress and the President should respond to the <i>Adarand v. Peña</i> decision with strong support for women- and minority-owned firms	The Administration strongly supports policies oriented toward diversity and fair economic opportunity. The Department of Justice is currently reviewing all minority preference programs in order to comply with the <i>Adarand</i> decision. The President and the OFPP support the 8(a) program and diversity in federal contract markets with policy statements sent to all agency heads.	No action	No	In progress
Regulation and Paperwork	183	Regulatory reform, including judicial review of federal regulations	President Clinton signed into law the Small Business Regulatory Enforcement Fairness Act of 1996. It provides for full judicial review of agency certifications and regulatory flexibility analyses.	Regulatory reform legislation passed in the 104th Congress.	P.L. 104–121	Completed
Regulation and Paperwork	188	Periodic review of all regulations, simplify and eliminate regulations, and provide single source of regulatory information	Implementation of the Small Business Regulatory Enforcement Fairness Act of 1996 is taking place throughout federal agencies.	Regulatory reform legislation passed in the 104th Congress. H.R. 852, the Paperwork Elimination Act, passed the House.	P.L. 104–121	Completed
Regulation and Paperwork	194	Change the nature of the federal government's enforcement of regulations	The Small Business Regulatory Enforcement Fairness Act establishes a small business ombudsman and 10 regional boards to monitor enforcement of federal rules. The legislation is being implemented.	Regulatory reform legislation passed in the 104th Congress.	P.L. 104–121	Completed
Regulation and Paperwork	200	Tort reform	The President vetoed the product liability legislation submitted in the 104th Congress.	The 104th Congress passed a product liability reform bill but failed to override the veto. New legislation was introduced in the Senate.	No	In progress

Regulation and Paperwork	369	Reform of OSHA	OSHA has adopted variations of many of the proposals in this recommendation: voluntary compliance audits are conducted and some companies are eligible for relief; if an employer has an effective safety and health program, the employer is eligible for an abbreviated inspection; with good faith efforts by the employer, OSHA considers employee fault a viable defense against citations; OSHA is preparing better guidance on how to comply with its regulations.	OSHA reform legislation was introduced in both the House and the Senate.	No	In progress
Taxation	214	100-percent tax deduction for meals and entertainment expenses	Legislation required. The Administration has, however, raised from \$25 to \$75 the amount of expenses for which a receipt is needed to claim a deduction.	Legislation failed in the 104th Congress to permit a 100-percent deduction. Congress passed and the President signed legislation that permits meal and travel deductions for owners (i.e., truckdrivers) who have to stop operating under DOT operation restrictions (i.e., they must get off the road).	P.L. 105–34	In progress
Taxation	218	Estate taxes	President Clinton signed P.L. 105–34, the Taxpayer Relief Act of 1997, which includes major estate tax reform.	Congress passed the Taxpayer Relief Act of 1997, which includes major estate tax reform. By the year 2006, the unified gift and estate tax credit will increase to an amount equivalent to excluding the first \$1 million of a transferred estate from taxation. Small businesses get a special break that, when combined with the unified credit, will increase the excluded amount to \$1.3 million.	P.L. 105–34	In progress

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Taxation	224	Clarify the tax definition of independent contractors	The IRS has taken several administrative steps to clarify the rules on worker classification and to resolve any remaining issues more expeditiously. The IRS issued a clarifying training manual that equalizes enforcement, improves the decision-ruling procedure, and permits the expeditious resolution of remaining problems. President Clinton signed the Small Business Jobs Protection Act of 1996.	Congress passed the Small Business Jobs Protection Act of 1996, which shifts the burden of proof to the IRS regarding classification disputes, leaving definition unclear. Congress introduced legislation to further clarify the definition of an independent contractor.	P.L. 104-188	In progress
Taxation	229	Replace the present tax system with a simple tax for individuals and businesses	President Clinton signed P.L. 105-34, the Taxpayer Relief Act of 1997, which helps simplify taxes by cutting back the alternative minimum tax (AMT) for small businesses. Small corporations (those with gross receipts under \$5 million) will no longer need to calculate the AMT. This provision effectively exempts about 95 percent of all corporations (more than 2 million businesses) from needless and complex paperwork.	Congress passed the Taxpayer Relief Act of 1997. Currently, there are several proposals before Congress to simplify the system of taxation (flat tax, sales tax, or consumption tax). None have been brought to a vote.	P.L. 105-34	In progress
Taxation	233	Permit tax deductions of up to \$250,000 for the purchase of equipment	President Clinton signed the Small Business Jobs Protection Act of 1996, which increases the expensing allowance up to \$25,000.	Expensing increases passed as part of the Small Business Jobs Protection Act of 1996.	P.L. 104-188	In progress

Taxation	242	Capital gains tax treatment for small business	President Clinton signed P.L. 105–34, the Taxpayer Relief Act of 1997, which contained extensive capital gains relief.	<p>Congress passed: <i>General Capital Gains Relief</i>—Effective July 22, 1997, capital gains taxes are reduced from 28 percent to 20 percent on property held for at least 18 months.</p> <p><i>Targeted Capital Gains, Small Business Stock</i>—The 14 percent rate is retained and the law reduces the share subject to the minimum tax to 42 percent. Also, an individual investor can roll over gains from an investment in a qualified small business stock held for at least six months into another qualifying stock tax-free.</p>	P.L. 105–34	In progress
Taxation	250	Prohibit retroactive increases in taxes	Not applicable—legislation required.	Unless a constitutional amendment is passed and ratified, no Congress can bind a future Congress to any legislation. The 104th and 105th Congresses by rule have agreed not to raise taxes retroactively.	No	In progress
Taxation	252	Require 2/3 super-majority vote of Congress to raise taxes	Not applicable—legislation required.	Legislation failed to pass.	No	No action
Taxation	253	Cap employer's portion of payroll taxes	The Administration has no proposals to raise payroll taxes.	S. 579 and H.R. 1333 would revise payroll taxes.	No	In progress

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Taxation	385	Tax equity: uniformly apply tax regard to rates, deductions, and exclusions	President Clinton signed P.L. 105–34. The Administration has supported pension reform, the broadening of sub-chapter S, increases in the self-employed health care deduction, and a simple business form selection process, most of which were enacted as part of the Small Business Jobs Protection Act of 1996.	Congress passed the Small Business Jobs Protection Act of 1996. Congress passed and the President signed the Taxpayer Relief Act, P.L. 105–34, which restores the home office deduction.	P.L. 105–34 and P.L. 104–188	In progress
Taxation	390	Enact a comprehensive capital gains tax policy that encourages long-term investment	President Clinton signed P.L. 105–34, the Taxpayer Relief Act of 1997, which provides for the rollover of gain from one qualifying stock to another. The Administration's 1993 economic plan established a targeted 50 percent capital gains tax exclusion for certain new investments in small business and rollovers into Specialized Small Business Investment Companies. The Administration recently adopted regulations to ease redemption restrictions.	Congress passed the Taxpayer Relief Act of 1997. <i>Targeted Capital Gains, Small Business Stock</i> —The 14 percent rate is retained and the law reduces the share subject to the minimum tax to 42 percent. Also, an individual investor can roll over gains from an investment in a - qualified small business stock held for at least six months into another qualifying stock tax-free.	P.L. 105–34	In progress
Technology	265	Development of all telecommunications markets to full and fair competition with increased choices for customer products and services and the promotion of universal service. Development of the National/Global Information InfrastructureNII/GII: Implementation of enforceable and universal measures to protect intellectual property rights (patent, trademark, and copyright) over the NII/GII, as well as fair access, with all members of World Trade Organization.	President Clinton signed the Telecommunications Act, which opens telecommunications markets to competition. The FCC has issued a number of landmark proceedings to implement this law. The Department of Commerce has completed a report on Intellectual Property and the National Information Infrastructure, which will guide U.S. policy. The Administration is supporting legislation to simplify the process of obtaining global intellectual property protection.	Legislation passed in the 104th Congress to implement the recommendations regarding telecommunications. H.R. 400 passed in the House. The Senate version, S. 507, is pending.	P.L. 104–104	In progress

Technology	406	Expand technology commercialization funding and investment for small innovative companies	The SBA's Office of Advocacy, with the cooperation of the Securities and Exchange Commission and state securities regulators, introduced ACE-Net, a national Internet listing of small business securities. The Administration has dramatically expanded the Manufacturing Extension Partnership, which assists America's 380,000 small manufacturing firms. SBA has announced the PRO-Net Internet service to help small businesses obtain procurement opportunities. The Administration supports continuing the Small Business Technology Transfer program to 2000.	The 104th Congress reauthorized the Small Business Technology Transfer Research program for one year.	No	In progress
Unclassified	280	Balance the federal budget	President Clinton signed into law the Balanced Budget Act of 1997 as part of the Budget Reconciliation bill. The measure provides for a balanced federal budget by 2002.	Congress passed the Balanced Budget Act of 1997.	P.L. 105-33	In progress
Unclassified	286	Future of the Small Business Administration	The Administration is committed to the small business community. The President has given the SBA Administrator Cabinet-level status. The President's FY 1998 budget request for the SBA is \$701.6 million—slightly less than last year due to lower loan program subsidy costs.	Hearings held before the House and Senate Small Business Committees and the Appropriations Subcommittees.	No	In progress
Unclassified	287	Convene a White House Conference on Small Business every four years	Not applicable—legislation required. The Administration will support legislation if introduced to authorize another WHCSB.	No formal action	No	In progress
Unclassified	288	Monitoring the results of the White House Conference recommendations	The SBA and the Office of Advocacy have been directed by the President to monitor and report the results of the White House Conference. The Office of Advocacy convened a summit of the conference delegates in December 1996. The SBA issues annual implementation reports in September.	The legislation that created the 1995 WHCSB mandates that the SBA report to Congress on implementation annually for three years.	P.L. 101-409	Completed